

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Voluntary - Public

Date: 12/24/2009

GAIN Report Number: CA9065

Canada

Post: Ottawa

This Week in Canadian Agriculture Issue 33

Report Categories:

Agriculture in the News

Approved By:

Robin Tilsworth

Prepared By:

Robin Gray

Report Highlights:

Dairy Price Freeze Announced for 2010 * Canadian Canola Exporters Anticipate China Permits *
Canada Debates Cancer Fighting Additive * Changing Face of Canadian Agriculture

General Information:

Dairy Price Freeze Announced for 2010

Earlier this month the Canadian Dairy Commission (CDC) announced that support prices for skim milk powder and butter will remain constant at C\$6.1783 per kilogram and C\$7.1024 per kilogram, respectively. Support prices are the prices at which the CDC buys and sells butter and skim milk powder to balance seasonal supply and demand changes on the domestic market. Support prices are

also used as references by provincial boards to price milk sold to processors who manufacture dairy products such as butter, skim milk powder, cheese, yogurt and ice cream. The CDC argued that despite the economic downturn, the demand for dairy products remained stable during the 2008-2009 dairy year. As reported in previous TWICA's, the high price of dairy products in Canada has become onerous for consumers and intermediate producers and has hurt Canadian dairy producers' ability to compete globally. The Canadian Restaurant and Foodservices Association (CRFA) appeared before the commission arguing for a reduction in the price of industrial milk, noting that dairy prices need to be rolled back by 16.5% to bring them in line with the consumer price index. CRFA further contends that even though dairy production costs have declined by nearly 2% this year, the price of industrial milk has skyrocketed by 60%. In Canada, the restaurant industry is a major dairy customer, buying nearly C\$2.5 billion in dairy products annually.

Canadian Canola Exporters Anticipate China Permits

The Canadian canola industry's optimism rose after Prime Minister Stephen Harper raised the Chinese restrictions on Canadian canola with Chinese Premier Wen Jiabao during a recent visit to that country. China imposed restrictions on November 15, 2009, against canola with blackleg disease, requiring a phytosanitary certificate verifying that shipments are free of blackleg disease. The requirement has made it difficult for Canada to sell canola seed to China. Canadian canola industry representatives argue that the Chinese restrictions are unwarranted because Canada has shipped canola seed to China for years without any reports of blackleg transference to Chinese crops. Some in the industry have speculated that China's motive for the restrictions is to winnow down its large canola stockpile, not to protect its rapeseed crops. In the 2008-2009 marketing year that ended July 31, Canada sold nearly 2.87 million tons of canola seed, worth approximately C\$1.3 billion to China. During the same trip Sinograin Oil, which is responsible for the national reserves of grains and edible oil in China, said in 2010 it plans to boost Canadian canola oil imports by 200,000 tons, up from the 150,000 tons it imported in 2009.

Canada Debates Cancer Fighting Additive

Health Canada has proposed a regulation change to permit asparaginase, an additive that mitigates the cancer-causing chemical acrylamide. Acrylamide, identified by scientists seven years ago, is a natural by-product of cooking plant based foods that are rich in carbohydrates but low in protein, such as French fries and similar snacks. Asparaginase, an enzyme used to treat leukemia patients, effectively reduces acrylamide in such foods. The Canadian industry welcomed the potential approval of the additive and several have worked with the government on this project. Prior to submitting this proposal, Health Canada conducted a thorough scientific assessment on the use of asparaginase as a food additive and concluded that there are no health or safety concerns with the use of this enzyme as proposed. The additive is already permitted in the United States, Australia, China, Russia, Denmark, Mexico, the Netherlands, New Zealand, Singapore and Switzerland. Health Canada will accept public comments on the proposal until February 21, 2009.

Changing Face of Canadian Agriculture

In Canada the traditional family farm is in decline. According to Statistics Canada, from 1996 to 2006, the number of farms in Canada dropped by more than 47,000 to 229,000, but the amount of land in active agriculture increased by more than 500,000 hectares. This seems to indicate that more of the food production in Canada is conducted by large corporations. This growth of corporate farm ownership coincides with a steep rise in Canada's farm exports. According to Agriculture and Agri-Food Canada, food exports jumped 23.6% from 2007 to 2008 to C\$38.9 billion. Over the same period, the dollar value of food imports to Canada climbed 16% to C\$27.7 billion. Roughly half of all agricultural commodities produced in Canada are exported. With this change in the agricultural environment some Canadians are calling for a stronger national food policy to ensure the sustainability of the Canadian family farm and secure Canada's local food source. Additionally, in recent years the local food movement has gained momentum.

Exchange Rate: Noon rate, December 23, 2009 (Bank of Canada): U.S. Dollar = C\$1.05.